

## BASICS OF INCOME TAX & TAX CALCULATION

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### Very Important Point -

FA'20 has inserted alternative taxation scheme for **Individuals** - Sec 115BAC which are discussed later in Chap 17. **Co-operative society, resident in India, can opt for concessional rate of tax @25.168% (i.e., tax@22% plus surcharge@10% plus health and education cess (HEC)@4%) under section 115BAD in respect of its total income computed without giving effect to deduction u/s 10AA, 32AD, 35AD, 35CCC, additional depreciation u/s 32(1)(ia), deductions under Chapter VI-A (other than sec 80JJAA) etc. and set off of loss and depreciation brought forward from earlier years relating to the above deductions. The provisions of alternate minimum tax u/s 115JC would not be applicable to co-operative society opting for sec 115BAD. This section will be dealt with in detail at Final level.**

### IMPORTANT AMENDMENTS/ NOTIFICATIONS/CIRCULARS

Sr No.	Particulars	Pg No
1	Surcharge rates	1.3
2	Tax Rates for companies	1.5

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## CONSTITUTIONAL VALIDITY

Article 265	No Tax can be levied or collected except by authority of Law.
Article 270	All the taxes & duties except specified shall be levied by CG & distributed between Union & state Government in the manner specified by President or through recommendation of finance commission.
Article 245	Parliament may make law for the whole or part of the territory.
Article 123	President may Promulgate Ordinances during recess of Parliament
Article 271	Parliament may at any time increase any duties & taxes as referred in article 270, by surcharge for purpose of Union & whole proceeds of any such surcharge shall form part of CFI

## BASICS OF INCOME TAX

- > Income tax is covered under entry no 82 of the union list.
- > Agriculture Income is covered under Entry no 46 to State List
- > It is applicable to whole of India (Sec 1)
- > PY shall be 22-23 and AY shall be 23-24

## Notifications | Circulars | Judicial Updates

<ul style="list-style-type: none"> <li>&gt; Notification is communication of any change in Act/Rules</li> <li>&gt; Issued by CBDT u/s 119</li> <li>&gt; Notification over-rides Act</li> <li>&gt; All Notification 6M before exam are applicable</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Clarification issued by Dept</li> <li>&gt; Issued by CBDT u/s 119</li> <li>&gt; All Circulars 6M before exam are applicable</li> <li>&gt; These are binding on dept not on Assessee</li> </ul>	<ul style="list-style-type: none"> <li>&gt; <u>Supreme Court</u>: Approached when a) HC frames a ques of law; b) a SLP is filed; Judgements of SC become law of land</li> <li>&gt; <u>High Court</u>: Only handles ques of law. File Writ petition</li> <li>&gt; <u>ITAT</u>: Last authority for ques of fact</li> </ul>
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## ANNUAL AMENDMENTS

Every year along with Budget a Financial Bill is presented. The provisions of such Finance Act are thereafter incorporated in the Income-tax Act.

<b>DIRECT TAX AMENDMENTS</b>	Effective from 1st day of Next Year, Unless Specified Otherwise
<b>INDIRECT TAX AMENDMENTS</b>	Effective from Midnight, Unless Specified Otherwise [Now after GST, amendment are expected after every GST Council Meet.

## IMPORTANT DEFINITIONS

Sec.2(9)	Assessment Year	means period of 12 M commencing on 1st day of April every year. (AY = FY in which tax is paid)
Sec 3	Previous Year	means FY immediately preceding AY. (PY = FY in which income is earned) In case of Business commencement PY, starts from Date of commencement."
	Exceptions to PY Income of PY taxable in PY itself instead of AY	S. 172   Income of NR shipping companies.
		S. 174   Income of persons leaving India with no intention of returning to India
		S. 174A   Assessment of AOP / BOI / AJP formed for a particular purpose likely to be dissolved in same year of formation
		S. 175   Assessee likely to transfer his assets with view to avoid payment of tax
	S. 176   Income of a discontinued business or profession.	
Sec. 2(31)	Person	Includes Individual; HUF; Company; Firm; AOP; Local Authority; AJP
Sec. 2(7)	Assessee	Person liable to pay tax, a deemed assessee; a person who is in default.

# TAX RATES

**NORMAL RATES:** Specified by relevant Finance Act

**SPECIAL RATES:** Specified by Income Tax Act

## TAX RATES FOR I/HUF/AOP/BOI/AJP

**Individual:** In case of every individual viz Male, female, & below the age of 60 years on the last day of PY, any AOP, BOI, HUF, AJP, Non Resident (Irrespective of Age).

Total Income	Amount of tax
Upto ₹. 2,50,000	Nil
Exceeding ₹. 2,50,000 but upto ₹. 5,00,000	5% of (total income less ₹. 2,50,000)
Exceeding ₹. 5,00,000 but upto ₹. 10,00,000	₹12500 + 20% of (TI less ₹. 5,00,000)
In excess of ₹. 10,00,000	₹112500 + 30% of TI

**Senior citizens:** Individual [Resident] 60 years or more but not more than 80 years

Total Income	Amount of tax
Upto ₹. 3,00,000	Nil
Exceeding ₹. 3,00,000 but upto ₹. 5,00,000	5% of (total income less ₹. 3,00,000)
Exceeding ₹. 5,00,000 but upto ₹. 10,00,000	₹10,000 + 20% of (TI less ₹. 5,00,000)
In excess of ₹. 10,00,000	₹1,10,000 + 30% of TI

**Super Senior citizens:** Individual [R] who is of age of 80 years or more

Total Income	Amount of tax
Upto ₹. 5,00,000	Nil
Exceeding ₹. 5,00,000 but upto ₹. 10,00,000	20% of (TI less ₹. 5,00,000)
In excess of ₹. 10,00,000	₹1,00,000 + 30% of TI

**From AY 21-22, Ind. & HUF have an option to opt for sec 115BAC**

**NOTES:**

a) HEC is applicable @ 4%. [after surcharge or Rebate]

b) Rebate u/s 87A

1) Assessee is Individual

2) He is Resident in India

3) whose TI(From All Heads after Ded<sup>n</sup>) **does not exceed ₹ 5 lakh**

**Rebate= ₹ 12500 or 100% of tax payable , whichever is lower**

**> Rebate not available for tax computed u/s 112A**

c) Rounding Off

S.288A	Round off of Total Income	R/o to nearest multiple of ₹10
S.288B	Round off of Total Tax	R/o to nearest multiple of ₹10

Rule of 5 is applicable.

Eg:- If tax calculated is 81,501 then tax be rounded off to 81,500.

**Circular 28/2016 -**

CBDT, hereby clarifies that a person born on 1st April would be considered to have attained a particular age on 31st March, the day preceding the anniversary of his birthday. In particular, the question of attainment of age of eligibility for being considered a senior/very senior citizen would therefore be decided on the basis of above criteria. Therefore, if a person is born on 1 April, 1962/1942 then he shall get slab of ₹ 3,00,000/ ₹5,00,000 in PY 31.3.2022.

**d) Special Adjustment -** If Assessee (Resident) has special Income i.e. LTCG (112 / 112A) /STCG (111 / 111A) (Not casual Income) & BEL is not exhausted then such special income shall be first used to cover up BEL & balance ,if any, shall be chargeable to special rate of Tax.

**e) Surcharge applicable to Individual, HUF,AOP,BOI,AJP - As per Taxation law amendment ordinance 2019 & FA'22**

No	Income	Surcharge on Income	
		111A,112,112A & dividend	Other
1)	TI [Including Income u/s 111A,112, 112A & div. does not exceed 50L	Nil	Nil
2)	TI [Incl Income u/s 111A,112,112A & dividend exceed 50L but not 1cr.	10%	10%
3)	TI [Incl Income u/s 111A,112,112A & dividend exceed 1cr but not 2cr.	15%	15%
4)	TI [Excl. Income u/s 111A,112,112A & dividend exceed 2cr but not 5cr.	15%	25%
5)	TI [Excluding Income u/s 111A,112, 112A & dividend exceed 5cr	15%	37%
6)	TI [Incl Income u/s 111A,112, 112A & dividend exceed 2cr but not covered by situation 4 & 5.	15%	15%

Particulars	Rate	Example	
		Components of total income	Applicable rate of surcharge
Where the total income (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 50 lakhs but ≤ ₹ 1 crore	10%	<ul style="list-style-type: none"> <li>Dividend ₹ 10 lakhs;</li> <li>STCG u/s 111A ₹ 20 lakhs;</li> <li>LTCG u/s 112 ₹ 15 lakhs;</li> <li>LTCG u/s 112A ₹ 20 lakhs;</li> <li>and</li> <li>Other income ₹ 25 lakhs</li> </ul>	Surcharge would be levied @10% on income-tax computed on total income of ₹ 90 lakhs.
Where total income (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 1 crore but ≤ ₹ 2 crore	15%	<ul style="list-style-type: none"> <li>Dividend income ₹ 10 lakhs;</li> <li>STCG u/s 111A ₹ 40 lakhs;</li> <li>LTCG u/s 112 ₹ 55 lakhs;</li> <li>LTCG u/s 112A ₹ 35 lakhs;</li> <li>and</li> <li>Other income ₹ 50 lakhs</li> </ul>	Surcharge would be levied @15% on income-tax computed on total income of ₹ 1.90 crores.
Where total income excluding dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 2 crore but ≤ ₹ 5 crore	25%	<ul style="list-style-type: none"> <li>Dividend income ₹ 51 lakhs;</li> <li>STCG u/s 111A ₹ 44 lakh;</li> <li>LTCG u/s ₹ 42 lakhs;</li> <li>LTCG u/s 112A ₹ 55 lakh; and</li> <li>Other income ₹ 3 crores</li> </ul>	Surcharge @15% would be levied on income-tax on: <ul style="list-style-type: none"> <li>Dividend income of ₹ 51 lakhs;</li> <li>STCG of ₹ 44 lakhs chargeable to tax u/s 111A;</li> <li>LTCG of ₹ 42 lakhs chargeable to tax u/s 112; and</li> <li>LTCG of ₹ 55 lakhs chargeable to tax u/s 112A</li> </ul> Surcharge @25% would be leviable on income-tax computed on other income of ₹ 3 crores included in total income
The rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%		

Particulars	Rate	Example	
		Components of total income	Applicable rate of surcharge
Where total income (excluding dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 5 crore	37%	<ul style="list-style-type: none"> <li>Dividend income ₹ 60 lakhs;</li> <li>STCG u/s 111A ₹ 50 lakhs;</li> <li>LTCG u/s ₹ 42 lakhs;</li> <li>LTCG u/s 112A ₹ 65 lakhs; and</li> <li>Other income ₹ 6 crore</li> </ul>	Surcharge@15% would be levied on income-tax on: <ul style="list-style-type: none"> <li>Dividend income of ₹ 60 lakhs;</li> <li>STCG of ₹ 50 lakhs chargeable to tax u/s 111A;</li> <li>LTCG of ₹ 42 lakhs chargeable to tax u/s 112; and</li> <li>LTCG of ₹ 65 lakhs chargeable to tax u/s 112A.</li> </ul> Surcharge @37% would be leviable on the income-tax computed on other income of ₹ 6 crores included in total income.
Rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A	Not exceeding 15%		
Where total income (including dividend income and capital gains chargeable to tax u/s 111A, 112 and 112A) > ₹ 2 crore in cases not covered under (iii) and (iv) above	15%	<ul style="list-style-type: none"> <li>Dividend income ₹ 55 lakhs;</li> <li>STCG u/s 111A ₹ 60 lakhs;</li> <li>LTCG u/s ₹42 lakhs;</li> <li>LTCG u/s 112A ₹ 55 lakhs; and</li> <li>Other income ₹ 1.10 crore</li> </ul>	Surcharge would be levied @15% on income-tax computed on total income of ₹ 3.22 crore.

## TAX RATES FOR OTHER ENTITIES

Domestic Co Turnover not exceeding <b>400Cr in PY 20-21[FA'22]</b>	25%
Other Companies	30%
Foreign Companies	40%
Firm & LLP	30%
Local Authority	30%
Co-Operative Society:	
For First 10,000	10%
For Next 10,000	20%
For Balance	30%
<b>Sec 115BAD (New inserted sec subject to conditions) [FA'20]</b>	<b>22%</b>

### Surcharge applicable to other entities

Firm/LLP/Local Authority/Co-op Sty		If Income Exceed 1cr - 12%
Companies	Domestic Co ( <b>400 crore in PY 20-21 [FA'22]</b> )	Upto 1cr- Nil Above 1cr upto 10 cr -7% Above 10cr -12%
	Foreign Co	Upto 1cr- Nil Above 1cr upto 10 cr -2% Above 10cr - 5%
An AOP consisting of only companies as member		<b>50L &lt; TI &lt; 1Cr -10%</b> <b>1Cr &lt; TI - 15%</b> (Maximum rate of surcharge for AY 23-24 is 15%)

## MARGINAL RELIEF

- A) In case of an **Local Authority & Firm**, where  $TI < ₹1cr$ , aggregate of income tax & surcharge shall be restricted to:  
(Tax on ₹1cr) + (Total Income - ₹1cr)

- B) In case of an **Individual & HUF**,

Total Income	Income tax & Surcharge restricted to
₹50L </= ₹1cr	(Tax on ₹50 lakhs) + (Total Income - ₹50 lakhs)
₹1cr </= ₹2cr	(Tax on ₹1 crore with surch @ 10%) + (Total Income - ₹1 crore)
₹2cr </= ₹5cr	(Tax on ₹2 crore with surch @ 15%) + (Total Income - ₹2 crore)
Exceeds ₹5cr	(Tax on ₹5 crore with surch @ 25%) + (Total Income - ₹5 crore)

- C) In case of a **Domestic / Foreign Company**, where  $TI ₹1cr </= ₹10cr$ , aggregate of income tax & surcharge shall be restricted to:  
(Tax on ₹1cr) + (Total Income - ₹1cr)
- D) In case of a **Domestic Company**, where  $TI > ₹10cr$ , aggregate of income tax & surcharge shall be restricted to:  
(Tax on ₹10cr with surch of 7%) + (Total Income - ₹10cr)
- E) In case of a **Foreign Company**, where  $TI > ₹10cr$ , aggregate of income tax & surcharge shall be restricted to:  
(Tax on ₹10cr with surch of 2%) + (Total Income - ₹10cr)

## f) SPECIAL RATES

Income	Rates
STCG referred to in sec 111A (Securities)	15%
LTCG referred to in sec 112	20%
LTCG U/s 112A Beyond ₹1Lakh	10%
Casual incomes (e.g. Lottery, horse winnings, etc.) (Sec 115BB)	30%
Unexplained Cash/Expenses/Investment-115BBE	60%
Maximum Marginal rate	42.744% [30% + 37% + 4%]

## Unsolved Problems

1. Compute the tax liability of Mr. Gupta (aged 61), having total income of 1,02,00,000 for the Assessment Year 2023-24. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit. Assume that Mr. Gupta has not opted for the provisions of section 115BAC.
2. State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year.
3. Mr. Sharma aged 62 years and a resident in India, has a total income of ₹ 2,30,00,000, comprising long term capital gain taxable under section 112 of ₹ 52,00,000, short term capital gain taxable under section 111A of ₹ 64,00,000 and other income of ₹ 1,14,00,000. Compute his tax liability for A.Y. 2023-24. Assume that Mr. Sharma has not opted for the provisions of section 115BAC.